

BUDGET SUMMARY – GENERAL FUND

FISCAL YEAR 2007 EXPENDITURE SUMMARY

The General Fund budget for fiscal year 2007 totals \$170.1 million; a net increase of \$8.3 million (or 5.1%) over the fiscal year 2007 spending plan. This increase is predominantly attributable to mid-year budget adjustments that have been annualized and carried over into fiscal year 2007.

The adopted General Fund budget for fiscal year 2007 totals \$170.1 million; a net increase of \$8.3 million (or 5.1%) over the 2007 adopted spending plan.

The most significant changes from the fiscal year 2007 spending plan are attributable to:

- Annualized costs (\$4.9 million) associated with the addition of 34.25 positions and other personnel services enhancements approved mid-year 2006 including:
 - 17 new sworn positions in the Police Department: 11 new positions for the Police Universal Hiring Grant (\$1.24 million), and 6 new positions to enhance the Traffic Operations, Patrol, and Criminal Investigations programs (\$766,000); an additional \$1.0 million for increased overtime costs and \$118,000 for adjustments to differentials
 - 10 new positions in the Fire Department: 9 new positions funded from the Firefighter Assistance Safer Grant to staff the City's Heavy Rescue Vehicle (\$984,000) and associated overtime costs (\$170,000); 1 Fire Prevention Engineer (\$114,000),
 - 3 new positions in the Finance Department to assist with CFD administration and finance operations (\$294,000),
 - 2 new positions in Community Development to meet anticipated housing program demands and address federal grant fund requirements (\$217,000),
 - A new position in the Office of the Mayor and City Council to assist with coastal, environmental, and land use issues associated with the Bayfront Master Plan, UCSP and University Project (\$114,000),
 - A graphic artist in the Office of Communications to expand the City's communication and outreach efforts (\$74,000).
- Adjustments to departmental personnel services budgets to reflect costs associated with the approved MOU agreements (\$2.5 million), higher health insurance premiums (\$1.1 million), and increases in PERS costs (\$850,000)
- Increases in fuel costs (\$282,000)

- New task force positions in the Police Department – 2 Agents and 1 Sergeant \$416,000
- Carryover of homeland security and recreation grants \$506,000

These expenditure increases are partially offset by the following expenditure reductions:

- Various reductions in supplies & services accounts to reflect historical savings in this category (-\$750,000)
- Reductions in various internal service charges to better align charges with the long term fund requirements (-\$975,000)
- Additional furlough reduction based on CVEA salary increases (-\$186,000)
- Decreases in departmental utilities budgets to more accurately reflect historical usage as well as new water saving technology employed by the Park Maintenance Division that allows for better control of water usage via computer (-\$128,000)
- A reduction of \$250,000 in consulting services in the Planning and Building Department

The following table provides a summary of these changes by expenditure category.

**General Fund Expenditure Summary
In Thousands (000)**

Category	Spending Plan	Proposed	Change
Personnel Services	\$ 129,124	\$ 138,388	\$ 9,264
Supplies & Services	\$ 19,217	\$ 18,506	\$ (711)
Utilities	\$ 5,654	\$ 5,451	\$ (203)
Other Expenditures	\$ 1,132	\$ 952	\$ (180)
Operating Capital	\$ 136	\$ 244	\$ 108
Transfers Out	\$ 6,534	\$ 6,534	\$ -
Total Operating Budget	\$ 161,798	\$ 170,075	\$ 8,277
Capital Projects	\$ -	\$ -	\$ -
Total General Fund Budget	\$ 161,798	\$ 170,075	\$ 8,277

The table below indicates that the largest increases from the spending plan to the proposed budget are for the Police and Fire departments. This increase is largely attributable to the number of positions added to public safety mid year and adoption of the budget – 20 positions were added to the Police Department and 10 positions were added to the Fire Department.

General Fund Budget Summary by Department
In Thousands (000)

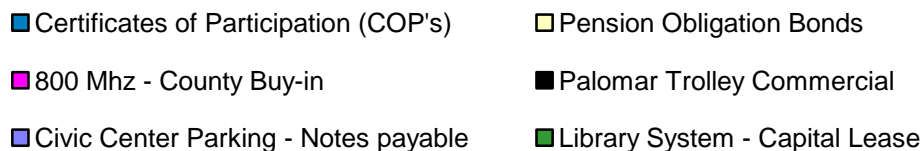
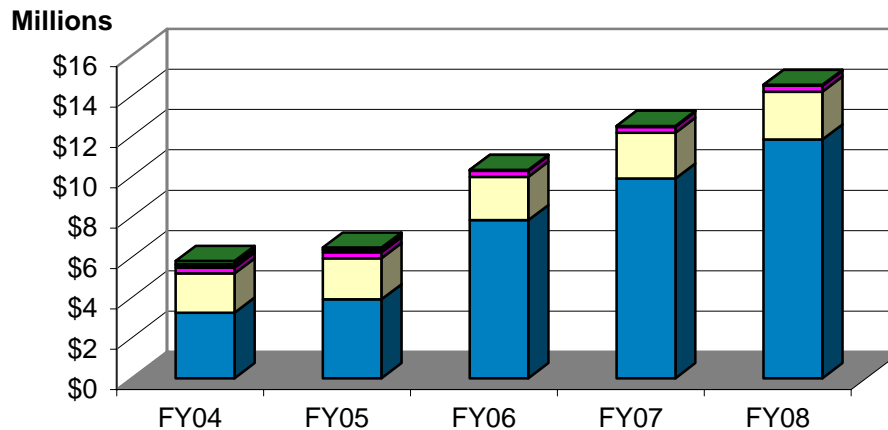
Department	Spending Plan	Adopted	Change
Administration	\$ 3,801	\$ 3,973	\$ 172
Boards and Commissions	\$ 10	\$ 14	\$ 4
City Attorney	\$ 2,600	\$ 2,662	\$ 62
City Clerk	\$ 1,140	\$ 1,104	\$ (36)
City Council	\$ 1,483	\$ 1,639	\$ 156
Community Development	\$ 3,910	\$ 3,799	\$ (111)
Engineering	\$ 7,791	\$ 7,816	\$ 25
Finance	\$ 2,887	\$ 3,206	\$ 319
Fire	\$ 20,284	\$ 22,480	\$ 2,196
General Services	\$ 10,630	\$ 10,968	\$ 338
Human Resources	\$ 5,151	\$ 5,377	\$ 226
Library	\$ 9,906	\$ 10,205	\$ 299
Management & Info Systems	\$ 4,075	\$ 4,406	\$ 331
Nature Center	\$ 1,157	\$ 1,193	\$ 36
Non-Departmental	\$ 3,933	\$ 2,582	\$ (1,351)
Planning & Building Services	\$ 10,578	\$ 10,475	\$ (103)
Police	\$ 44,958	\$ 50,047	\$ 5,089
Public Works	\$ 20,697	\$ 21,123	\$ 426
Recreation	\$ 6,808	\$ 7,007	\$ 199
TOTAL	\$ 161,798	\$ 170,075	\$ 8,277

Debt Service

The total outstanding long-term debt for the General Fund at the beginning of fiscal year 2007 will be approximately \$135.7 million. During fiscal year 2006, the City issued \$20.3 million in Certificate of Participation (COP) debt for Phase 2 of the Civic Center Expansion and the Nature Center exhibits. The debt service payments on this issuance will begin in fiscal year 2008 and will be funded by the General Fund (\$306,862) and the Public Facilities Development Impact Fee Fund (\$610,904).

Beginning in fiscal year 2006, the first full debt service payment for the 2004 Civic Center Expansion Phase 1 COP issuance will be made. The debt payment is approximately \$1.7 million (\$0.2 million General Fund and \$1.5 million Development Impact Fee Fund).

Annual General Fund Debt Service Obligation Fiscal Years 2004 to 2008



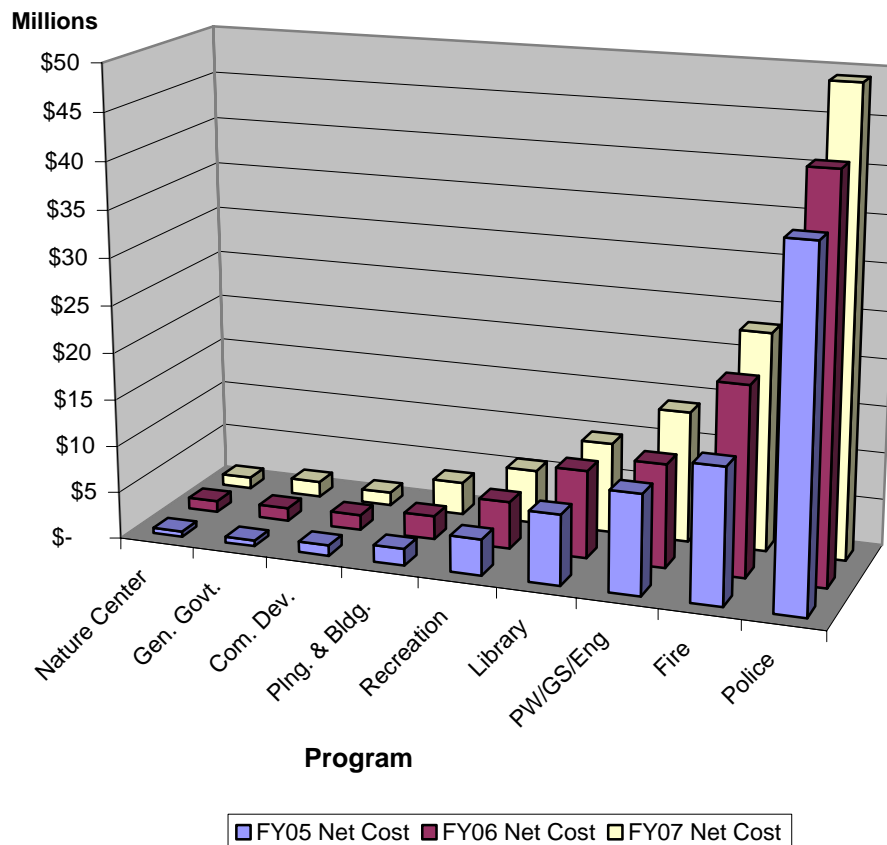
Net City Cost

The City looks at how various programs and City functions are funded to determine the net cost of each program. Each program is reviewed to determine the percentage of program expenditures funded by general revenues versus program revenues. In order to portray the true costs of individual programs accurately, both indirect and direct costs are included in total program expenditures. Program revenues are broadly defined as those revenues generated by a given activity (e.g. grant revenues, charges for services, licenses, permits). General revenues, often referred to as discretionary revenues, are broadly defined as those revenues that are generated not by any given activity, but by general or specific taxing authority such as property taxes, sales tax, and vehicle license fees.

The fiscal year 2007 General Fund budget of \$170.1 million includes \$60.4 million in program revenues and \$109.7 million in discretionary revenues. The following chart

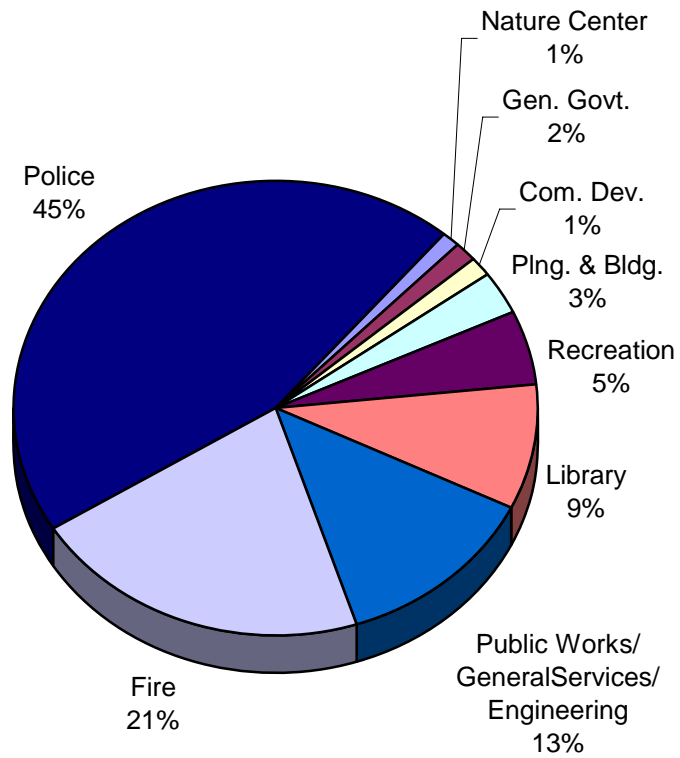
shows the net cost of each department for fiscal years 2005, 2006, and 2007. As seen in the chart below, departments that generate small amounts of revenue relative to the size of their budgets, such as Police and Fire, have higher net costs. Departments that generate relatively larger amounts of revenue (such as Community Development and Planning and Building) generally have the lower net costs.

Allocation of Discretionary Revenues - Net City Cost (By Function)



The following chart shows the net costs of each department or program based upon the budgets for fiscal year 2007. The majority (66%) of discretionary revenue was allocated to public safety services (i.e. Police and Fire). The next highest portion (17%) was allocated to development and maintenance services (i.e. Public Works, General Services, Engineering, Community Development, and Planning & Building) followed closely by leisure services (i.e. Library, Recreation and the Nature Center) at 15%. The remainder of discretionary revenue (2%) was allocated to general governmental services.

**Average Distribution of Fiscal Year 2006 and 2007 Discretionary Revenue:
Net City Cost (By Function)**



GENERAL FUND REVENUE SUMMARY

The City has identified revenues sufficient to support the \$8.3 million increase in the fiscal year 2007 spending plan budget. The update to the fiscal year 2007 spending plan included a thorough analysis of the revenue projections. Based on historical trends as well as future projections, there were revenue reallocations between city departments along with updated projected revenues in several categories.

The City has identified an additional \$8.3 million in revenues to support the increase in the 2007 budget.

The most significant revenue increases are as follows:

- An increase of \$3.2 million in property tax to reflect the increase in assessed value as determined by the county assessor
- A \$4.4 million increase in Transfers In to the General Fund - \$4.0 million is attributable to a one-time credit from the Library for Eastern Territory Capital Project fund and an additional \$300,000 is a transfer from the Gas Tax fund
- Increased grant funding of \$1.4 million; included in this amount is an additional \$609,000 in Police Grants, \$478,000 in homeland security grants, \$309,000 in Fire grants, and \$40,000 in miscellaneous grants
- An adjustment of \$435,000 in Vehicle License Fees to account for population growth
- A net increase of \$245,000 in staff time reimbursements, mainly as a result of anticipated increases in capital project reimbursements
- An increase of \$183,000 from the California Border Alliance Group is to offset the cost of a CBAG Executive Director
- Plan checking fees have been adjusted by \$129,000 to include the cost of a Fire Prevention Engineer
- A one-time reimbursement of \$300,000 related to the Otay Ranch Tax sharing agreement
- Escheatments from deposit accounts totaling \$200,000
- An increase of \$282,000 in revenue from other agencies to partially offset the cost of new task force positions added in the Police Department, the remaining costs for these positions will be offset by a one-time transfer from the asset seizure fund of \$134,000

These revenue increases are partially offset by the following revenue reductions:

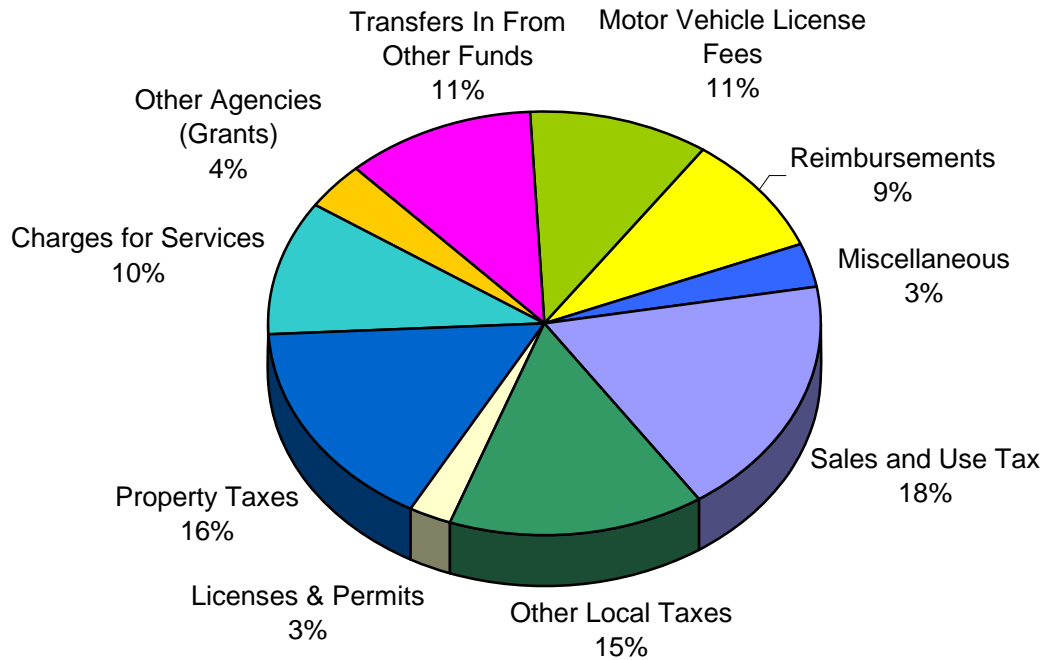
- A decrease in Inspection and Other Engineer fees of \$254,000 to align budgeted revenues with actuals
- Council approved reductions in Police Department revenue totaling \$725,000 to more accurately reflect historical actuals. Major adjustments were made to the following revenues:
 - \$326,000 reduction in Special Police Service reimbursement
 - Elimination of State reimbursement for booking fees, \$270,000
 - \$ 75,000 reduction in parking citations
 - \$ 54,000 reduction in Ordinance Violations
- A decrease of \$1.7 million in Deposit Based fees to better reflect prior year revenues

The following table highlights the major revenue changes from the fiscal year 2007 adopted spending plan to the proposed budget by source.

**General Fund Revenue Summary
In Thousands (000)**

Revenue Source	Spending Plan	Adopted	Change
Sales and Use Taxes	\$ 30,997	\$ 30,997	\$ -
Property Taxes	\$ 23,765	\$ 26,999	\$ 3,234
Other Local Taxes	\$ 25,868	\$ 25,868	\$ -
Transfers In From Other Funds	\$ 14,385	\$ 18,793	\$ 4,408
Vehicle License Fees	\$ 17,429	\$ 17,864	\$ 435
Charges for Services	\$ 20,092	\$ 17,472	\$ (2,620)
Reimbursements	\$ 14,209	\$ 15,497	\$ 1,288
Other Agencies (Grants)	\$ 5,650	\$ 6,540	\$ 890
Miscellaneous	\$ 5,104	\$ 5,763	\$ 659
Licenses and Permits	\$ 4,299	\$ 4,282	\$ (17)
Total General Fund Revenues	\$ 161,798	\$ 170,075	\$ 8,277

General Fund Revenues by Category - \$170.1 million



Sales and Use Tax Revenue

Prior to fiscal year 2005, the City received 1% in sales and use tax revenue from all taxable retail sales occurring within the City limits. Beginning in fiscal year 2005, the State reduced the local allocation by 0.25% and applied these funds as security for the State's Economic Recovery Bonds. The State committed to replacing the 0.25% sales tax revenues with dollar-for-dollar in local property tax from the County Educational Revenue Augmentation Fund (ERAF). For forecasting and comparison purposes, sales tax revenues are projected at the full 1% rate.

The projection for Sales and Use Tax of \$31.0 million for fiscal year 2007 has not changed from the Council Adopted Spending Plan.

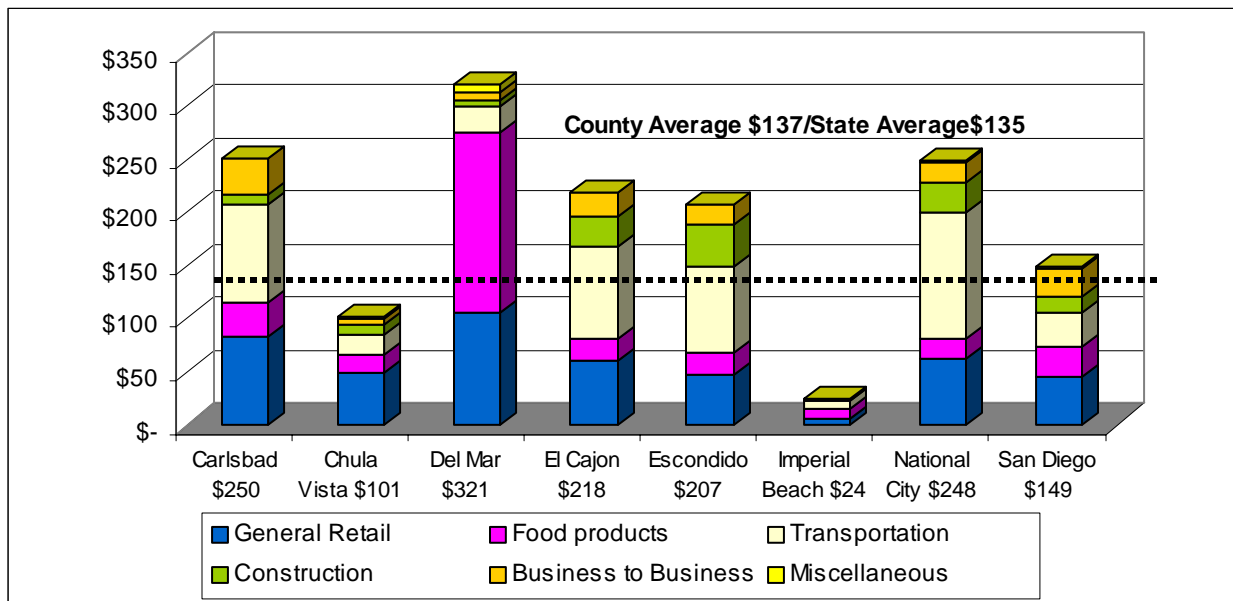
Sales and Use Tax is collected by the State at a rate of 7.75% for the San Diego County region. The Sales Tax rate is divided as follows:

State	6.00%
State Fiscal Recovery Fund (Economic Recovery Bonds)	0.25%
Local Jurisdiction (City or County of place of sale or use)	0.75%
Local Transportation Fund (County of place of sale or use)	0.25%
Local San Diego County Transnet Funding	0.50%

Sales and use tax revenue is the City's single largest discretionary revenue source, accounting for 18.2% of total revenue for the General Fund in fiscal year 2007. During fiscal years 2005 and 2006 sales tax revenues increased by 10.2% and 13.5% respectively primarily due to increased population and the opening of several new commercial centers in the eastern section of the City.

As noted on the following chart, sales tax on a per capita basis for the City is only \$101 compared to the County average of \$137 and the State average of \$135. This comparison indicates that the City's residents spend a high percentage of their retail dollars elsewhere, especially considering that a healthy share of our sales and use tax revenues are generated by cross-border shoppers. The City's per capita sales tax is expected to increase next fiscal year as a result of the recent openings of the Eastlake Design District and Crossings Shopping Center as well as the highly anticipated fall 2006 opening of the Otay Ranch Town Center.

Sales Taxes Per Capita



Property Tax Revenue

Property taxes are estimated at \$27.0 million in the fiscal year 2007 budget. This is an increase of \$3.2 million to reflect the increase of assessed property value in the City of Chula Vista. Proposition 13 caps the amount that existing property can be reassessed to 2% per year, however, when a property is transferred to a new owner, it is reassessed based on the new market value. Chula Vista has seen its share of resale homes being reassessed as well as the addition of assessments on new homes.

Motor Vehicle License Fees

Motor vehicle license fees (VLF) are estimated at \$17.9 million in the fiscal year 2007 proposed budget. The projections have increased from the initial estimates included in the 2007 spending plan by \$435,000. The VLF is an annual fee on the depreciated purchase price of a registered vehicle in California, levied in lieu of taxing vehicles as personal property. The formula for dispensing the VLF to local jurisdictions is based primarily on population.

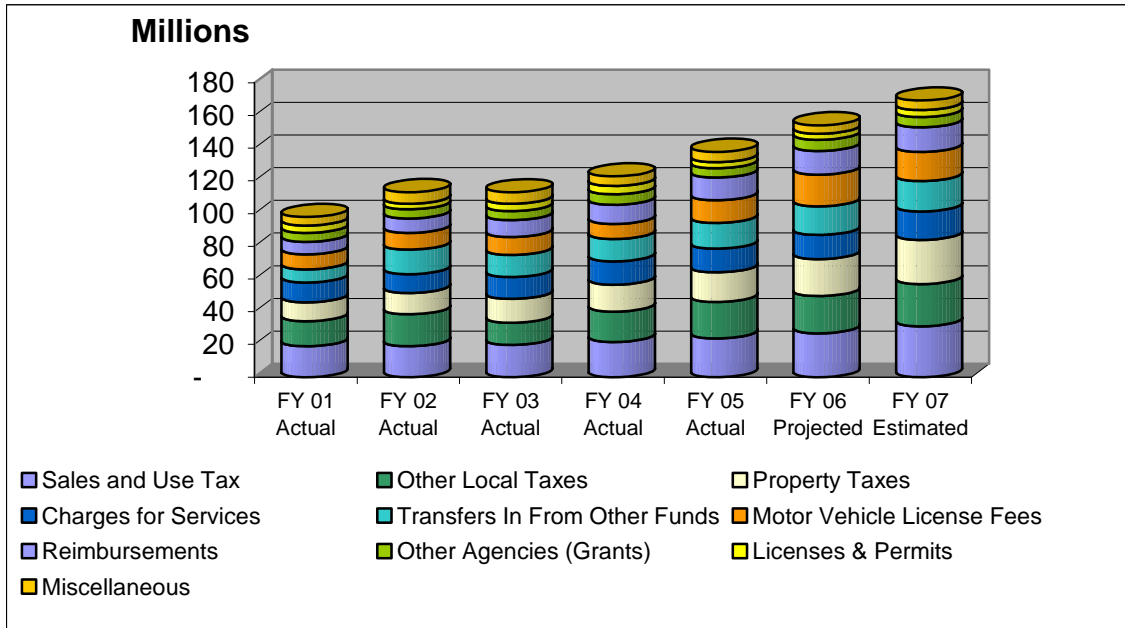
Charges for Services

Charges for services include charges and fees such as: Police reimbursements, zoning fees, plan checking fees, and recreation programs fees. The proposed budget for fiscal year 2007 is \$17.5 million, which is a \$2.6 million decrease from the spending plan. Of this amount, \$772,000 has been reallocated to other revenue categories for animal shelter fees and special Police Department services. There was also a reduction of \$1.9 million in anticipated revenues from Engineering, Planning & Building, Public Works, and Police to better reflect the actual revenue that the departments have historically realized.

Transfers In from Other Funds

Transfers in from other funds consist of transfers to the General Fund from other City funds, including Capital Project and Special Revenue funds. The proposed budget for fiscal year 2007 is \$18.8 million, an increase of \$4.4 million over the spending plan. Of this increase, \$4.0 million is related to a Development Impact Fee transfer to the General Fund. This transfer reflects the Public Facilities Development Impact Fee program's obligation to reimburse the City for Rancho del Rey Library site acquisition costs.

Historical and Estimated General Fund Revenue Sources Fiscal Years 2001 – 2007



Staffing Adjustments

The fiscal year 2007 budget includes funding for 1,263.75 positions, an increase of 36.52 over the fiscal year 2006 Adopted Budget. As part of the Adopted Fiscal Years 2006 and 2007 Budget, Council approved the addition of three positions to the Fire Department and the elimination of one position in Administration for fiscal year 2007. However, during fiscal year 2006 the Fire Department received a grant and requested that the positions be added in fiscal year 2006 - these positions are now reflected as mid year positions.

Council approved the addition of 34.25 new positions during fiscal year 2006. Safety remains a key priority for the City as demonstrated by the 27 additional positions added mid-year to the Police and Fire departments. Eleven new positions were added to Patrol Operations in order to meet increased call for service demand levels. The Police Service Dog and Traffic Operations programs were also enhanced in fiscal year 2006. Two agent positions were added to staff regional task force positions at the Regional Computer Forensics Lab and the Joint Terrorism Task Force.

In the Fire Department, the early addition of the three Fire Captains and the addition of nine Firefighters will allow for full staffing of the Heavy Rescue on a 24-hour basis. The addition of a revenue offset Fire Prevention Engineer enhances the department's ability to conduct more complex plan reviews and inspections. Of the remaining 7.25 positions added mid-year, five of the positions were either partially or fully revenue offset.

The fiscal year 2007 budget includes the annualized costs of the positions approved by Council during fiscal year 2006; the table below summarizes the new positions.

Summary of New Positions and Personnel Changes Approved by Council During Fiscal Year 2006 by Department and Program

Department	Description	Position	No.
Police (17)	Community Patrol Program	Peace Officer	11
	Police Service Dogs Program	Peace Officer	1
	Criminal Investigations Program	Police Agent	2
	Traffic Operations Program	Peace Officer	2
		Police Lieutenant	1
Fire (10)	Fire Prevention Program	Fire Prevention Engineer	1
	Staffing for Heavy Rescue	Firefighter	6
		Fire Captain	3
Library (0)	HR recommended reclassification	Librarian II	-1
		Senior Librarian	1
Administration (1)	Office of Communications	Graphic Designer	1
Finance (3)	CFD Administration	Associate Accountant	1
	Payroll Program	Accounting Technician	1
	Finance Operations	Senior Management Analyst	1
City Council (1)	Coastal/Environmental Policy Program	Coastal/Environmental Policy Consultant	1

Department	Description	Position	No.
General Services (.25)	Reclassification of Staffing for the Animal Care Facility	Veterinarian	-0.5
		Animal Adoption Counselor	0.75
		Animal Care Assistant	-1
		Senior Animal Care Assistant	1
		Animal Control Officer	-1
		Senior Animal Control Officer	1
		Animal Services Specialist	-0.5
		Animal Adoption Counselor	0.5
Community Development (2)	Housing Program	Senior Community Development Specialist	1
		Community Development Specialist II	1
Total			34.25

Maintaining Service Levels

As in previous budgets, the City continues to make a concerted effort to evaluate vacant management and support staff positions for potential cost savings. The fiscal year 2007 budget includes several reclassifications and/or transfers in order to address service demands while increasing operational efficiencies; these personnel changes allow the City to reorganize existing resources to continue to provide great service.

Also included in the fiscal year 2007 budget are two Police Agents and one Police Sergeant to enhance the department's participation in regional efforts in the Financial Crimes Task Force, Jurisdictions Unified Against Drug Gang Enforcement, and the Regional Auto Theft Task Force. The cost of these positions will be partially offset by reimbursement from the respective task forces; in fiscal year 2007 a one-time transfer from the Asset Seizure fund will fully mitigate the impact to the General Fund.

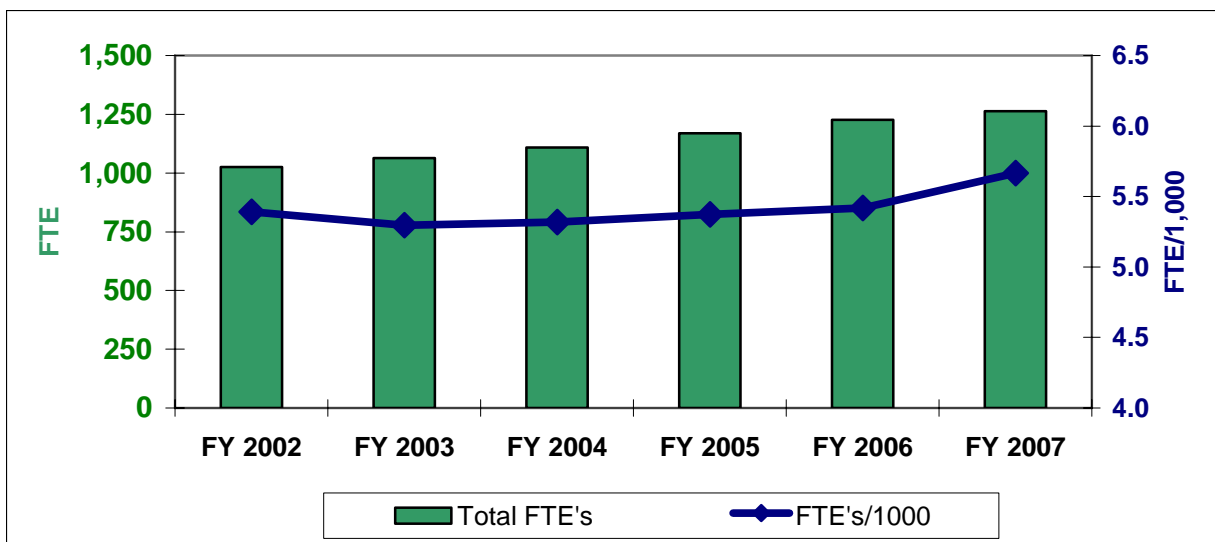
Summary of New Positions and Personnel Changes for Fiscal Year 2007 by Department and Program

Department	Description	Position	FTE
City Clerk (0)	HR recommended reclassification	Senior Records Specialist	1
		Senior Records Technician	-1
		Records Specialist	1
		Records Technician	-1
City Attorney (0)	Litigation	Senior Assistant City Attorney	1
		Assistant City Attorney	-1
Administration (0)	DIF Program Administration	Fiscal and Management Analyst	1
	Office of Employee Development	Director of Employee Development	-1
	Transfer from General Services	Environmental Resource Manager	1
	Elimination of vacant position	Energy Services Manager	-1
MIS (0)	Reclassification of vacant position	Webmaster	1
		Unix System Administrator	-1
	HR recommended reclassification	Informix Database Administrator	-1
		Systems/Database Administrator	1

Department	Description	Position	FTE
General Services (-.73)	Increase position to .50 from .48	Office Specialist	.02
	Increase position from 0.25 to 0.5	Animal Care Assistant	.25
	Transfer to Administration	Environmental Resource Manager	-1
	HR recommended reclassification	Senior Animal Control Officer	-1
		Animal Control Officer Supervisor	1
	HR recommended reclassification	Senior Custodian	-3
		Custodial Supervisor	3
Community Development/ Redevelopment Agency (-1)	Duties combined with Assistant Director of Comm. Dev.	Economic Development Manager	-1
	Position transferred to Planning & Building and reclassified	Deputy Director of Redevelopment	-1
	Chula Vista Redevelopment Corporation	Chief Executive Officer	1
Planning and Building (-0.5)	Elimination of vacant positions	Associate Planner	-0.5
		Senior Planner	-1
	Transfer and reclassification of Dep. Director of Redevelopment	Development Planning Improvement Manager	1
Police (4)	CBAG	CBAG Executive Director	1
	HR recommended reclassification	Police Records Specialist	-1
		Senior Office Specialist	1
	Reclassification of vacant position	Assistant Chief of Police	-1
		Police Captain	1
	JUDGE	Police Sergeant	1
	Financial Crimes Task Force	Police Agent	1
RATT	Police Agent	1	
Public Works Operations (.5)	Reclassification of vacant position	Senior Public Works Specialist	-0.5
		Administrative Technician	1
Library (0)	HR recommended reclassifications	Administrative Analyst I	1
		Sr Management Analyst	-1
		Library Technician	-1
		Secretary	1
		Librarian I (4 @ 0.5)	-2
		Librarian II	-0.5
		Library Associate (5 @ 0.5)	2.5
Total			2.27

The following graph demonstrates that while staffing overall has increased over the past few years, the full time equivalent (FTE) per thousand has remained fairly constant. This indicates that growth in City staffing has kept pace with growth in the City ensuring a continuity of service for Chula Vista residents. In fiscal year 2002 there were 5.4 employees per thousand residents, for fiscal year 2006 that rate is again 5.4 employees per thousand residents. In fiscal year 2007, the employees per thousand population increases slightly to 5.7 as a number of positions were added mid year, largely to public safety services, in order to continue to maintain service levels.

City of Chula Vista Staffing (FTE) Compared to FTE's per Thousand Residents



CITY STAFF EMPLOYEES

7-Year Position Summary

DEPARTMENT	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005*	FY 2006	FY 2007
LEGISLATIVE/ADMINISTRATIVE							
City Council	6.00	8.00	9.00	9.00	9.00	14.00	15.00
City Attorney	10.00	11.00	11.00	12.00	12.00	14.00	14.00
City Clerk/Elections	7.50	7.50	7.50	7.50	7.50	8.50	8.50
Administration	23.50	26.50	46.50	25.75	26.75	20.00	21.00
Management and Information Services	26.00	26.00	27.00	28.00	28.00	29.00	29.00
Human Resources	24.50	24.50	23.50	23.50	23.50	25.50	25.50
Finance/Parking Meters	31.08	29.50	29.50	28.50	28.50	28.50	31.50
Total	128.58	133.00	154.00	134.25	135.25	139.50	144.50
DEVELOPMENT/MAINTENANCE							
Community Development/Redevelopment Agency	22.00	24.00	24.00	23.00	25.00	25.00	26.00
General Services	0.00	0.00	0.00	55.50	114.50	105.23	104.75
Planning and Building	75.00	85.00	87.00	92.00	92.00	91.00	90.50
Engineering	84.00	93.00	88.00	88.00	0.00	51.00	51.00
Public Works Operations/Fleet Management	179.00	185.50	189.50	163.00	193.00	200.00	200.50
Total	360.00	387.50	388.50	421.50	424.50	472.23	472.75
PUBLIC SAFETY							
Police	335.23	346.23	355.23	355.73	370.73	360.50	381.50
Fire	84.00	85.75	87.75	96.75	131.75	141.00	151.00
Total	419.23	431.98	442.98	452.48	502.48	501.50	532.50
CULTURE & LEISURE							
Recreation	33.25	37.50	27.50	27.50	30.50	34.00	34.00
Library	58.38	61.25	65.12	65.12	67.12	70.75	70.75
Nature Center	7.50	9.00	9.00	9.00	9.25	9.25	9.25
Total	99.13	107.75	101.62	101.62	106.87	114.00	114.00
Grand Total	1006.94	1060.23	1087.10	1109.85	1169.10	1227.23	1263.75

*Does not include hourly or seasonal staff.